

Message Text

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

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APPROVED BY EUR-R.E.BARBOUR
S/S:PSEBASTIAN

-----300534Z 043662 /22

R 300326Z MAR 77 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY LISBON

C O N F I D E N T I A L STATE 070369

NODIS

FOL RPT BONN 5407 ACTION SECSTATE DATED 28 MAR 77

QUOTE: C O N F I D E N T I A L BONN 05407

NODIS

E.O. 11652: XGDS-1
TAGS: EFIN, EAID, PO, GW
SUBJECT: ECONOMIC ASSISTANCE TO PORTUGAL

REF: (A) STATE 64026; (B) BONN 5298

1. I DISCUSSED AID TO PORTUGAL WITH FINANCE MINISTER
APEL TODAY AND STRESSED THE POINTS CONTAINED REFTEL A.
APEL RESPONDED ALONG FAMILIAR LINES, I.E., NO FUNDS
POSSIBLE OUT OF THE FEDERAL BUDGET, PORTUGAL ONLY ONE
OF MANY PROBLEM COUNTRIES WITH OTHERS TO FOLLOW,
GERMAN PREFERENCE FOR FINANCING AID TO PORTUGAL
THROUGH IMF, ETC. STATE SECRETARY POEHL, WHO ATTENDED
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THE MEETING, INDICATED THAT HIS CONVERSATIONS WITH
WITTEVEEN LEFT HIM SOMEWHAT MORE OPTIMISTIC ON TIMING
OF FURTHER IMF ASSISTANCE THAN WE WERE. POEHL ALSO
SAID THAT HE WOULD BE MEETING WITH UNDER SECRETARY
COOPER AND TREASURY UNDER SECRETARY SOLOMON TONIGHT
IN BASEL (AT A MEETING OF THE BELLAGIO GROUP) AND
HOPED TO EXPLORE THE PROBLEM FURTHER WITH THEM THERE.

2. APEL SAID THAT AS FINANCE MINISTER, HE, OF COURSE, WAS PARTICULARLY RELUCTANT WHENEVER IT CAME TO THE EXPENDITURE OF GERMAN FUNDS. THAT WAS HIS JOB. OUR FEELING THAT THE IMF ROUTE WAS NOT A WORKABLE ALTERNATIVE AT THIS TIME, OF COURSE, FORCED HIM TO RECONSIDER HIS POSITION. HE ALSO WAS UNDER CONSIDERABLE PRESSURE FROM BRANDT AND OTHERS TO AID PORTUGAL. APEL STRESSED THAT HE WAS, OF COURSE, NOT IN A POSITION TO GIVE US THE GERMAN ANSWER TO OUR REQUEST -- THAT WAS A MATTER FOR THE CHANCELLOR OR THE FOREIGN MINISTER. HE, APEL, HAD NOT YET HAD A CHANCE TO TALK TO CHANCELLOR SCHMIDT ABOUT PORTUGAL, BUT REALIZED THAT HE MUST DO SO AND THAT THE CHANCELLOR OWED PRESIDENT CARTER AN ANSWER TO HIS LETTER.

3. POEHL SAID THAT HE REMAINED OPTIMISTIC THAT SOMETHING COULD BE DONE. THERE MIGHT BE A NUMBER OF WAYS, WHICH HOWEVER HE WAS NOT YET READY TO DISCUSS. HE MENTIONED AS AN EXAMPLE THAT THE GERMAN CABINET LAST WEEK APPROVED A VERY LARGE EXPORT GUARANTY FOR PORTUGAL -- APEL INTERJECTED THAT HE HAD VOTED AGAINST IT SINCE THERE WERE NO PROSPECTS OF IT EVER BEING REPAID. (COMMENT: WHILE NEITHER SAID SO, THIS OBVIOUSLY INVOLVES THE GERMAN NUCLEAR POWER PLANT FOR PORTUGAL.) STOESSEL UNQUOTE CHRISTOPHER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, CAT-B, DIPLOMATIC DISCUSSIONS, INTERGOVERNMENTAL COOPERATION, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE070369
Document Source: CORE
Document Unique ID: 00
Drafter: WE/KSMITH
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: N770002-0291
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 2
Legacy Key: link1977/newtext/t1977036/aaaaaeqa.tel
Line Count: 88
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fe2ef8b7-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NODS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: NODIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: NODIS
Reference: 77 STATE 64026, 77 BONN 5298
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3107773
Secure: LOCK1
Status: NATIVE
Subject: ECONOMIC ASSISTANCE TO PORTUGAL
TAGS: EFIN, EAID, PO, GE, (APEL, HANS)
To: LISBON
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/fe2ef8b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009